**India-Bhutan Relations**

Diplomatic relations between India and Bhutan were established in 1968 with the appointment of a resident representative of India in Thimphu. Before this our relations with Bhutan were looked after by our Political Officer in Sikkim. The basic framework of India-Bhutan bilateral relations is the Treaty of Friendship and Cooperation signed in 1949 between the two countries, which was updated and signed during the visit to India of His Majesty Jigme Khesar Namgyel Wangchuck in February 2007.

The updated India-Bhutan Friendship Treaty not only reflects the contemporary nature of our relationship but also lays the foundation for their future development in the 21st century. Amongst others, the Treaty provides for perpetual peace and friendship, free trade and commerce, and equal justice to each other’s citizens.

On 17 December 2009, coinciding with the 102nd National Day of Bhutan, the Royal Bhutanese Consulate, in Kolkata was inaugurated by the Governor of West Bengal in the presence of the Bhutanese Foreign Minister.

The traditionally unique bilateral relations, characterised by trust and understanding have Matured over the years. Today, there is extensive cooperation in the field of economic development, especially in the mutually beneficial sector of hydropower.

**High Level Visits**

This special relationship has been sustained by the tradition of regular visits and extensive exchange of views at the highest levels between the two countries. January 2013 has already seen some high level exchanges with the visit of His Majesty Jigme Khesar Namgyal Wangchuck, the King of Bhutan to India as the Chief Guest to the 64th Republic Day celebrations preceded by EAM, Shri Salman Khurshid’s visit to Bhutan (14-15 Jan. 2013). PM Jigmi Y. Thinley paid a goodwill visit to India from 7-9 February, 2013.

**Economic Cooperation**

Mutually beneficial economic inter-linkages between India and Bhutan have been an important element in our bilateral relations. India continues to be the largest trade and development partner of Bhutan. Planned development efforts in Bhutan began in the early 1960s. The First Five Year Plan (FYP) of Bhutan was launched in 1961. Since then, India has been extending financial assistance to Bhutan’s FYPs. The 10th FYP which is underway comes to an end in June 2013. India’s overall commitment to the 10th FYP is Rs. 100 billion.

Hydropower is one of the major sectors of bilateral cooperation. Three Hydropower projects developed with Indian assistance and which have already been completed are 1020 MW Tala Hydroelectric Project, 336 MW Chukha Hydroelectric Project, 60 MW Kurichhu Hydroelectric. Ten more projects have been agreed to. Of these three are already under construction – Punatsangchhu-I Hydro Electric Project, Punatsangchhu-II and Mangedechhu HEPs. Negotiations are at an advanced stage for the remaining projects of Kholongchhu HEP, Amochhu Reservoir, Wangchu RoR and Bunakha Reservoir, Kuri Gongri, Chamkharchhu and Sankosh.
Tenth Five Year Plan (2008-13): The Government of India committed assistance worth Rs. 3400 crores for the 10th FYP. This includes Project tied Assistance (Rs 2000 crore for about 70 projects in key socio-economic sectors such as agriculture, ICT, media, health/ hospitals, education/ schools, capacity building, energy, culture and infrastructure etc), Programme Grant (Rs 700 cr.) and the Small Development Projects (Rs 700 cr.). Some of the important projects being executed under the 10th Plan include construction of the Bhutanese Supreme Court, strengthening of Constitutional Offices such as the Royal Audit Authority, Anti Corruption Commission and Office of the Attorney General, renovation of major Dzongs, preparation of DPRs for major power projects, widening of major roads, scholarships and expansion of tertiary educational institutions. The Project Monitoring Committee (PMC) and the Empowered Joint Groups which monitor the implementation and progress of projects under the SDPs and PTA meet regularly.

GOI is also committed to the establishment of a 1 million tonne cement project, Dungsum Cement Plant at Nganglam. The project is under construction. During his visit to Bhutan, in 2008, Prime Minister Dr. Manmohan Singh announced the construction of the first ever rail link between India and Bhutan, connecting Hashimara to Phuentsholing, called the “Golden Jubilee Rail Line”. During PM’s visit to Bhutan in April 2010 for the 16th SAARC Summit, he and the Bhutanese PM Jigmi Y. Thinley jointly laid the Foundation Stones for the Punatsangchhu–II and Mangdechhu Hydro Electric Projects (HEPs) and the ‘Bhutan Institute of Medical Sciences (BIMS)’, and launched the Project Implementation Document for the ICT “Chipen Rigphel—Enabling A Society, Empowering A Nation” Total Solutions Project.

Standby credit facility: GoI has extended a standby credit facility of Rs1000 crore to RGoB to help Bhutan overcome the rupee liquidity crunch. Under this Facility, Government of India provides credit to Royal Government of Bhutan at a concessional interest rate of 5% per annum. The facility is valid for 5 years.

Trade with India

India is not only Bhutan's main development partner but also its leading trade partner. A free trade regime exists between India and Bhutan. The India-Bhutan Trade and Commerce Agreement which expired in March 2005, was renewed in 2006 for a period of 10 years. Currently, the major items of exports from Bhutan to India are electricity (from Tala, Chukha and Kurichhu Hydroelectric Projects), base metals and articles, minerals, vegetable fat and oils, alcoholic beverages, chemicals, cement, timber and wood products, cardamom, fruit products, potatoes, oranges and apples, raw silk, plastic and rubber products. Major exports from India to Bhutan are petroleum products, mineral products, base metals and articles, machinery, automobiles & spares, vegetable, nuts, spices, processed food and animal products, chemicals, wood, plastic and rubber.

The Agreement on Trade and Commerce also provides for duty free transit of Bhutanese merchandise for trade with third countries. Sixteen exit/entry points in India identified in the Protocol for Bhutan’s third country trade are: Jaigaon, Chamurchi, Ulta Pani, Hathisar (Gelephu), Darranga, Kolkata, Haldia, Dhubri, Raxaul, Panitanki, Chinsurah, Phulbari, Dawki, New Delhi, Chennai and Mumbai. Of these, Kolkata, Haldia, Mumbai and Chennai are the designated seaports, Dhubri is the riverine route, New Delhi, Chennai,
Mumbai and Kolkata are the air routes and Raxaul is the rail route. The others are the designated road routes.

During 2011, bilateral trade reached 56.24 billion (2011 est.). Imports from India were of the order of Rs. 35.2 billion (2011 est.) and constituted 72% of Bhutan’s total imports. Bhutan’s exports to India amounted to Rs.26.4 billion (including electricity) (2011 est.) and constituted 84% of its total exports. Total trade in 2011 grew by about 10% from 2010.

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
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<tr>
<td>Exports to Bhutan (Imports from India)</td>
<td>12.80</td>
<td>13.05</td>
<td>15.09</td>
<td>17.33</td>
<td>223.3</td>
<td>29.30</td>
<td>35.2</td>
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<tr>
<td>Imports from Bhutan (Exports to India)</td>
<td>9.97</td>
<td>14.48</td>
<td>22.72</td>
<td>21.48</td>
<td>20.5</td>
<td>26.00</td>
<td>26.4</td>
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</tbody>
</table>

Source: Royal Monetary Authority, RGoB

Trade Talks: The India Bhutan Bilateral Trade Talks were held in New Delhi on 18-19 August 2011. At the request of RGoB, GoI has agreed to the use of Dalu LCS (land custom station) and Ghasuapara LCS (both in Meghalaya) as additional exit/entry points for Bhutan’s trade with Bangladesh. Ghasuapara LCS will be used only as exit point for Bhutan till the necessary infrastructure is in place for it to be used as entry point also. In addition, 4 additional entry/exit points for India-Bhutan bilateral trade – Upper Khogla (West Bengal), Dalmore or Birpara (West Bengal), Bokajuli (Assam) and Rangapani (Assam) – have also been agreed. GoI has also agreed to open two alternate routes to the industrial estates in the border towns of Phuentsholing (from Highway at Bolan Chaupati, near Mangalabari in Jalpaiguri district (WB) to Alay village at border near Toribari/Passakha industrial estate of Bhutan) and Samdrup Jongkhar (road from Bokajuli in Daranga (Assam) up to Matanga industrial estate, Samdrup Jongkhar). Pursuant to these talks, GoI has issued notification allowing Bhutanese passengers duty free access at Indian airports, and exempting Bhutan from export bans on some essential items subject to limits.

Several important economic and commercial conferences and trade fairs and exhibitions have been held in Bhutan and in India to further our bilateral economic and commercial relations.

Educational and Cultural Cooperation

There is close bilateral cooperation in the educational and cultural fields between India and Bhutan.

Government of India scholarships are granted to Bhutanese students at undergraduate and post graduate levels every year in Indian institutions of higher learning. Several hundred Bhutanese students are studying in India under these two schemes. In addition, under the Nehru Wangchuck Scholarship Scheme (implemented in 2010) and under the new Bhutan ICCR Scholarship Scheme (implemented in 2012) 48 Bhutanese students are undergoing graduate/post graduate courses in India. Ambassador’s scholarships are granted to deserving Bhutanese self financing students studying in India. In the past ten years, more than 2500 Bhutanese students have benefited from the Ambassador’s Scholarship Scheme. Ten slots
every year are being provided at Sainik Schools in India for Bhutanese students of the 6th Std level. The entire cost of their studies in the Sainik School upto 12th Std is borne by the Government of India. Three Lecturers from India are on deputation in two colleges of the Royal University of Bhutan under the TCS Colombo Plan. The request of RGoB for a further 27 Lecturers from India under this scheme is under process in MEA. Through the ITEC Programme (150 slots) and the Technical Cooperation Scheme of the Colombo Plan (60 slots) have been provided to Bhutan in the CFY 2013-14 for upgrading administrative and technical skills of Government/Semi-Government/Private Sector Employees of Bhutan.

Nehru-Wangchuck Cultural Centre: Dr. Karan Singh, President, Indian Council for Cultural Relations (ICCR), GoI, and the Bhutanese Minister for Home and Cultural Affairs, Mr. Minjur Dorji, inaugurated the “Nehru-Wangchuck Cultural Centre” in Thimphu, on 21st September, 2010.

India-Bhutan Foundation

India-Bhutan Foundation was established in August 2003 during the visit of the present King (then Crown Prince) to India with the aim of enhancing people to people exchanges in focus areas like education, culture and environment protection. Ambassador of Bhutan and India are the Co-Chairpersons of the Foundation. The Royal Government of Bhutan and the Government of India have contributed Rs. 5 Crore each as main corpus fund to IBF and the entire amount of Rs.10 Crores has been kept in a fixed deposit in Bhutan. Interest earned from the fixed deposit is used for financing proposals received from Bhutanese/Indian citizens and Non Governmental Organisations. They include studies, research, and similar activities, exchanges of a cultural/educational/scientific nature, programmes and activities such as seminars, work shops on subjects of common mutual interest etc. These help in achieving the objectives of the Foundation.

The 12th Board of Directors was held in Thimphu on 29th May, 2013.

There have been interactions between the Parliaments of the two sides. A Parliamentary Friendship Group, in the two Parliaments to promote regular exchanges was formed in 2011.

Indian Community

Foreign residents / workers in Bhutan are estimated at about 37,000 (RGoB figures), the bulk of which are Indian nationals, excluding day workers which number around 7000.

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June 2013